

# Utah Personal Income Tax Burdens and Revenue Volatility

Tax Review Commission  
February 23, 2007

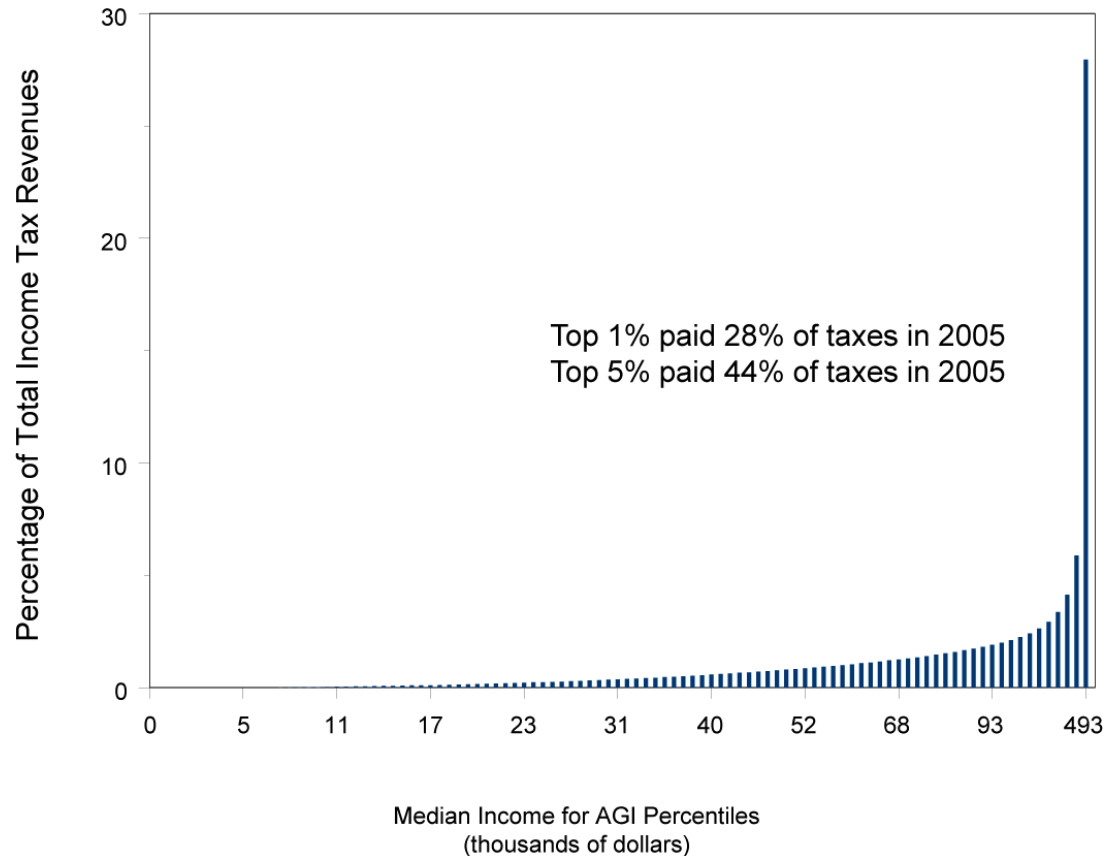
# Question #1

How do we measure the income tax burden?

# A few big fish rule the tax pool

Dan Walters (*Sacramento Bee*, January 3, 2007)

Distribution of 2005 Tax Liability

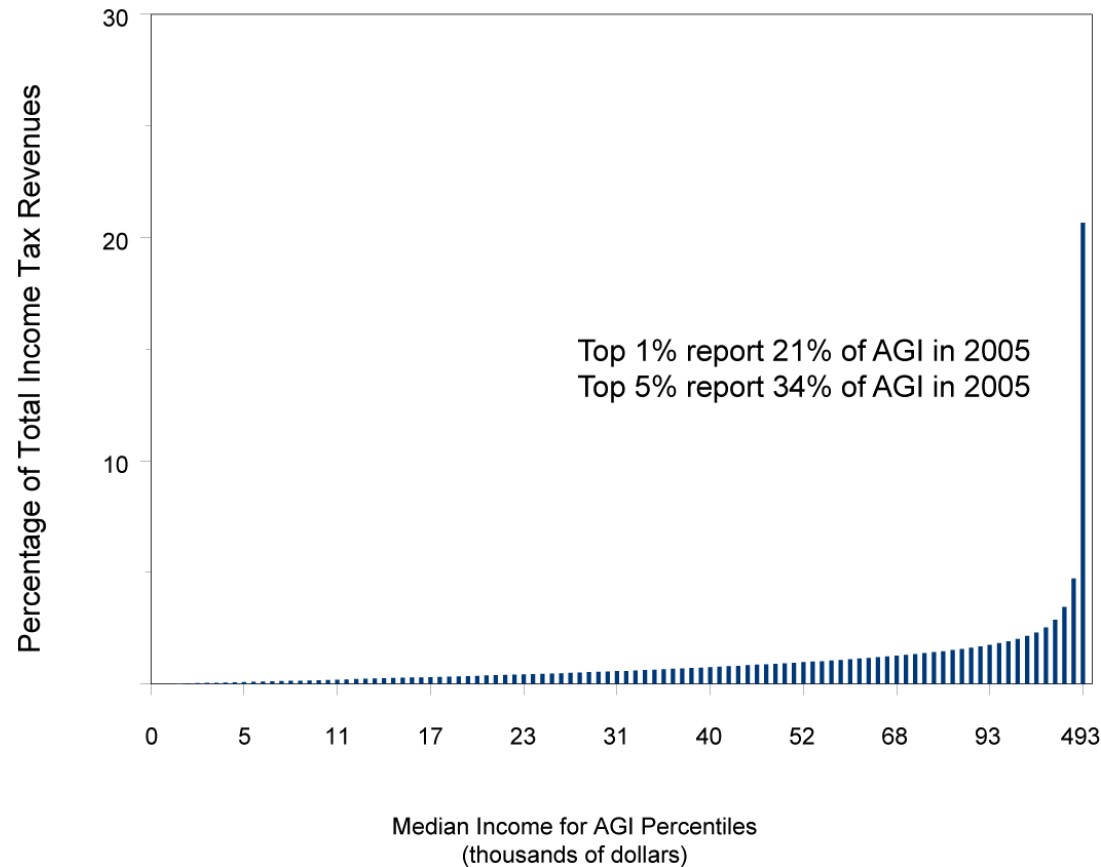


# Question #2

How do taxable income definitions and tax rates affect tax burdens?

# Adjusted gross income is distributed very unequally throughout the population

Distribution of 2005 Adjusted Gross Income

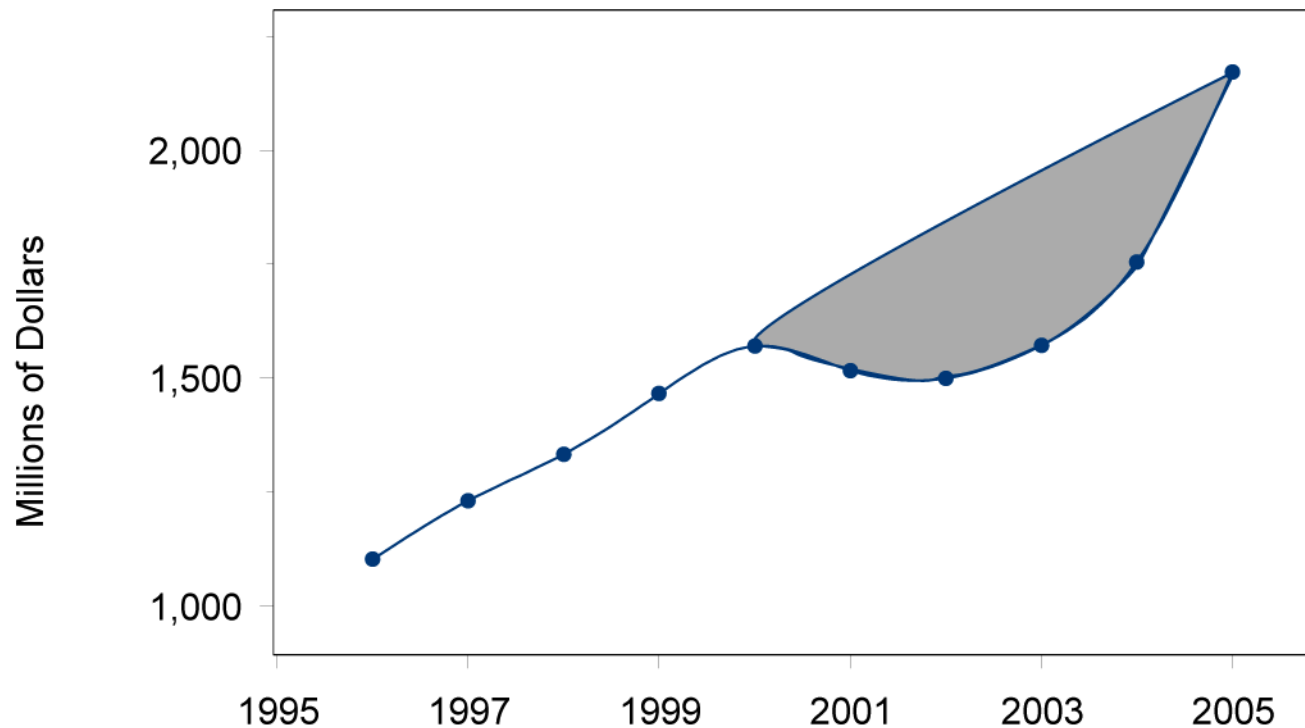


# Question #3

What is volatility and why is it important for state governments?

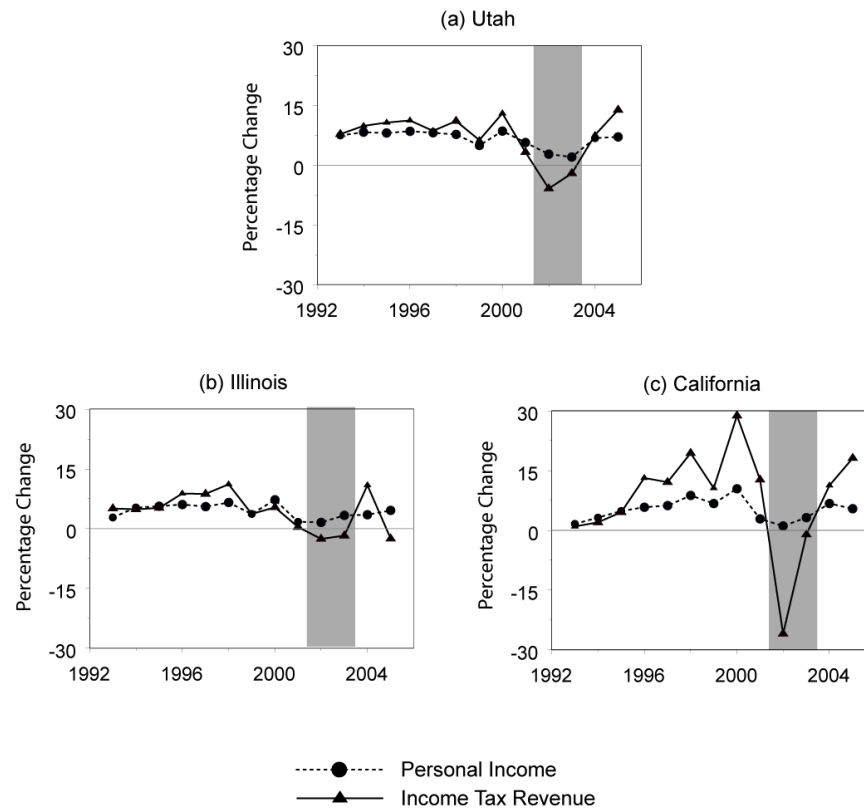
# The mild recession in 2001 created well known education financing challenges

Historical Patterns in Utah Personal Income Tax Revenues



# Compared to other states, Utah has a volatile income tax

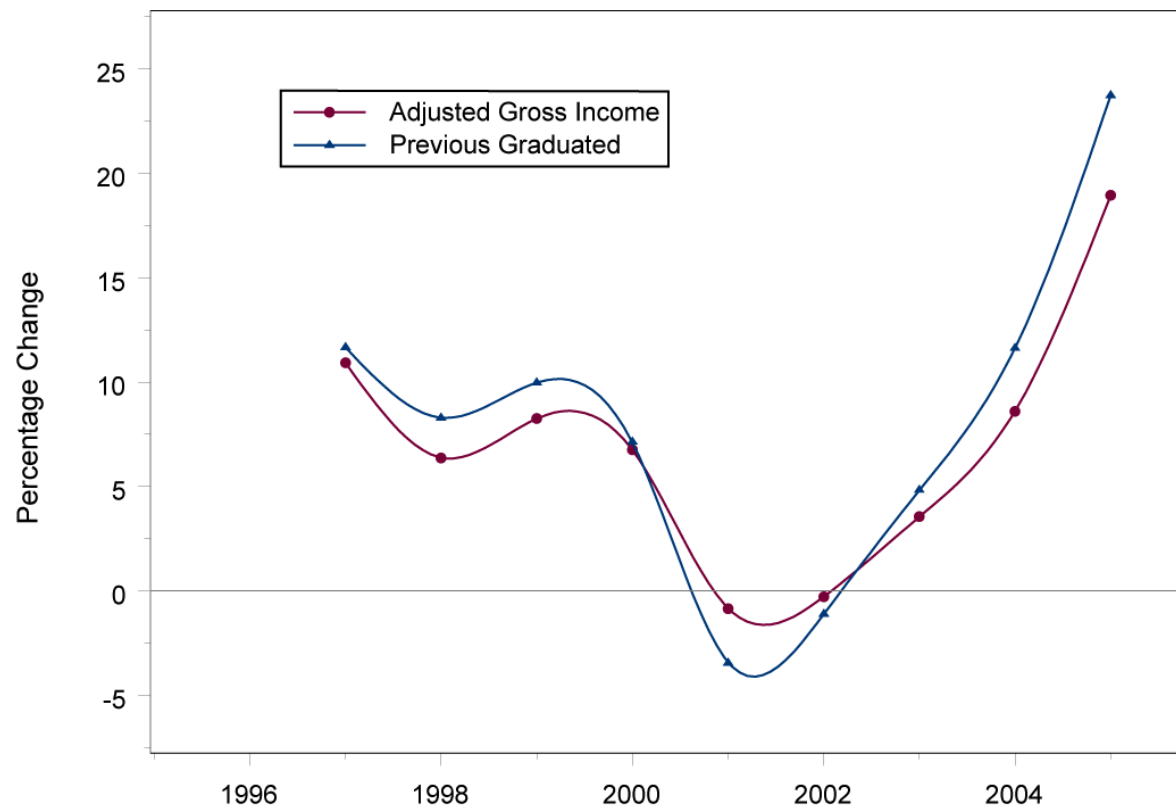
Income Tax Revenue versus Personal Income  
Selected States  
Year over Year Growth Rate





It is not surprising that  
income tax revenues closely follow AGI

Rates of Change in Adjusted Gross Income  
and Income Tax Revenue

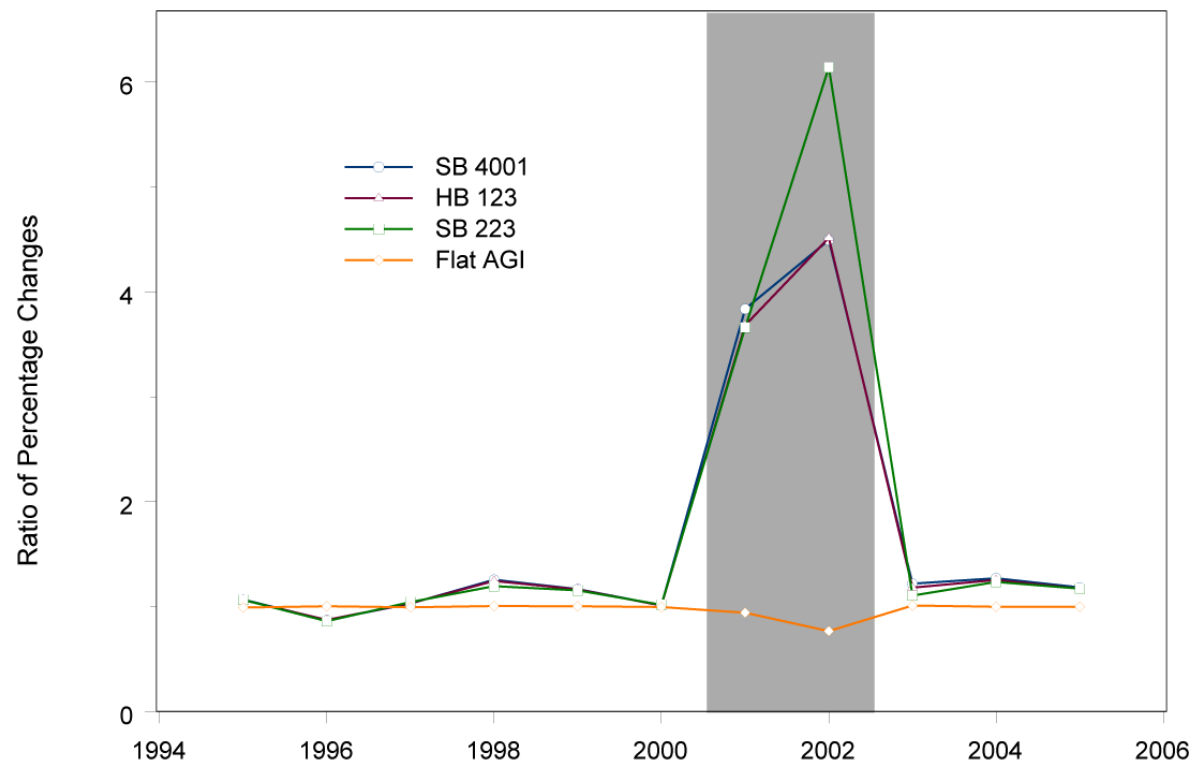


# Question #4

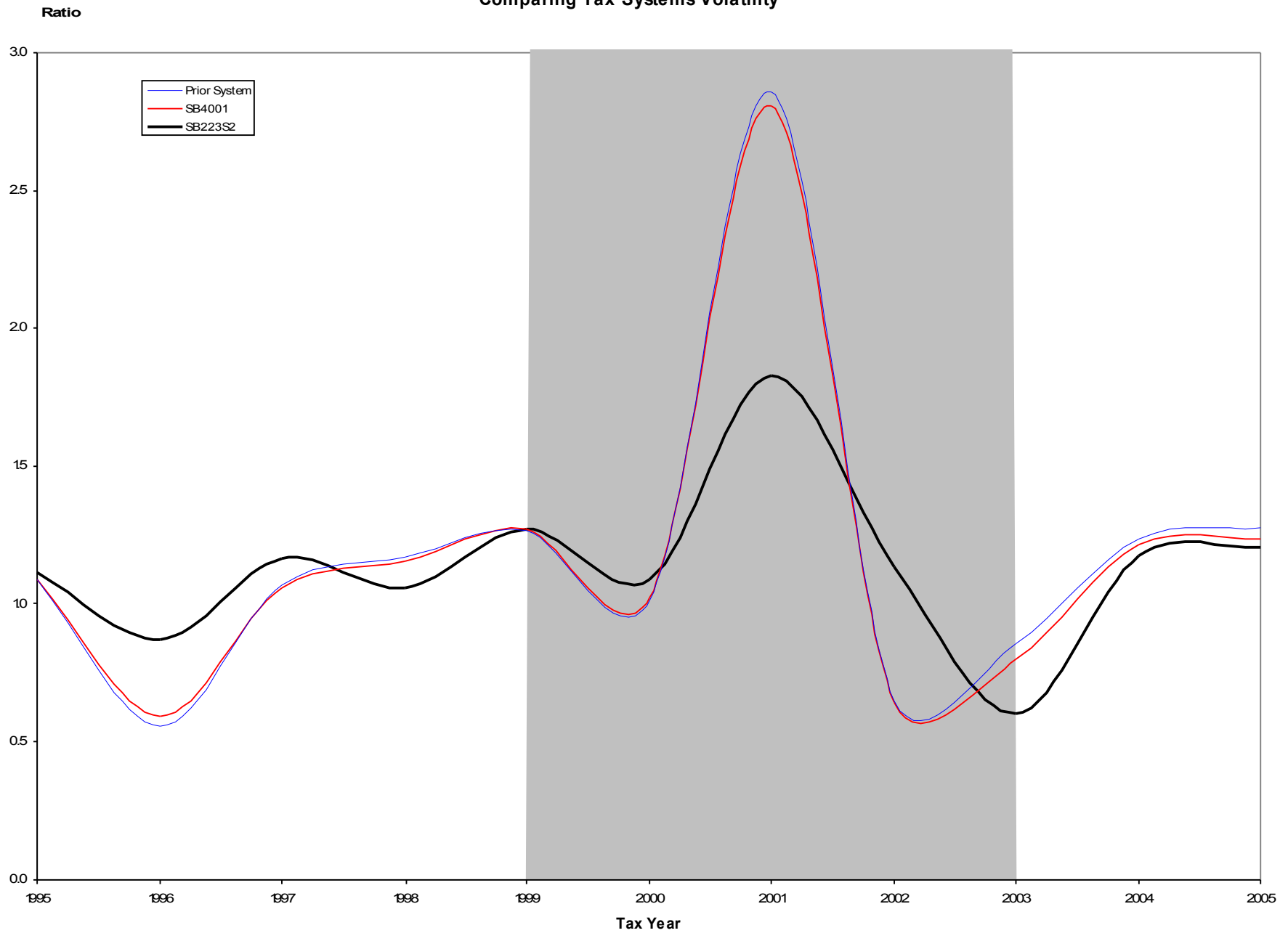
How do the volatilities of current and proposed tax systems compare?

# Current and previously proposed income taxes have similar volatilities

Volatility for Alternative Tax Systems  
Ratios of Year over Year Changes in Tax Revenue to AGI  
Resident Returns



Comparing Tax Systems Volatility



# Question #5

What tax code and rainy day fund combination will provide stable financing for Utah's education system during the next decade, a span of time which is likely to include at least one recession?

During 2007,  
the Tax Review Commission  
will study the issue of sizing the rainy  
day fund according to the downside risk  
during a recession.